

# **FINAL DRAFT**

**KENTUCKY**  
**UNIFORM SYSTEM OF ACCOUNTING**  
**FOR**  
**CLASS C WATER UTILITIES**

**March 2002**

## INTRODUCTION

KRS 224A mandates that the Kentucky Infrastructure Authority (Authority) set a condition for entities receiving assistance from any fund administered by the Authority for infrastructure projects to “maintain project accounts in accordance with generally-accepted governmental accounting standards.” This accounting standard must also be applied uniformly to all applicants within a class. In accordance with this statutory requirement, the Kentucky Uniform System of Accounting (KUSoA) has been adopted by the Authority for use by fund recipients.

The KUSoA includes three elements: **Section I: Budget; Section II: Chart of Accounts; and Section III: Monthly Management Report.** Also included is an **Account Distribution Index** for easy reference to specific items within each account.

For simplicity, the Authority uses the same classification of utilities presently used by the Kentucky PSC, wherein Class A & B Utilities are those which exceed \$250,000 gross revenue in a year. Class C are those Utilities which generated less than \$250,000 in a year.

It is important to note that the Kentucky Uniform System of Accounting is a minimum standard. Utilities which are not currently using each of the elements cited above must adopt and adhere to those contained herein. Utilities which have in place accounting elements similar to those cited above may elect to have an independent Certified Public Accountant submit a statement certifying to the Authority that the Utility’s accounting elements are substantially the same as those of the KUSoA, and that the definitions contained in its chart of accounts are materially the same as those of the KUSoA. The Authority will then direct the Utility to provide its account enumeration/identification system with appropriate reference to the respective accounts in the KUSoA chart of accounts, generally referred to as a “crosswalk”, and may declare the Utility to be in compliance with this requirement of the statute.

Adherence to the KUSoA by the funding recipient is a condition of award of the subsidized loan or grant and is so stated in the assistance agreement. Failure to adopt and adhere to the KUSoA, or an approved alternative system, by June 30, 2004, constitutes breach of contract and may result in contract revocation and recall of funding.

Finally, all those utilities under the jurisdiction of the Kentucky Public Service Commission (PSC) must continue to use and comply with the chart of accounts as promulgated by the PSC.

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# SECTION I

## THE BUDGET

Please note that the Budget and Monthly Management Report may be developed either on a cash basis or an accrual basis accounting format. However, the Monthly Management Report must follow the same accounting format as the Budget.

**A budget must be adopted by the local governing body, via resolution, and so referenced in meeting minutes prior to the start of the budget year.**















## **SECTION II**

### **CHART OF ACCOUNTS**

## Chart of Accounts

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## DEFINITIONS

1. **Accounts** means the accounts prescribed in this system of accounts.
2. **Amortization** means the gradual extinguishments of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.
3. **Authority** means the Kentucky Infrastructure Authority.
4. **Composite depreciation rate** is a percentage based on the weighted average service life of a number of units of plant, each of which may have a different individual life expectancy. Composite depreciation rates may be determined for (a) a single depreciable plant account, (b) a single rate for several depreciable accounts, or (c) a single composite rate may be determined for all depreciable plant of the utility.
5. **Cost** means the amount of money actually paid for property or service. When the consideration given is other than cash, the value of such consideration shall be determined on a cash basis.
6. **Cost of removal** means the cost of demolishing, dismantling, tearing down or otherwise removing utility plant, including the cost of transportation and handling incidental thereto.
7. **Depreciation**, as applied to depreciable utility plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of utility plant in the course of providing service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration is wear and tear, decay, and action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.
8. **Multiple family dwelling** means a residential structure or group of structures, which is capable of separately housing more than one family unit.
9. **Net salvage value** means the salvage value of property retired less the cost of removal.
10. **Original cost**, as applied to the utility plant, means the cost of such property to the person first devoting it to public service.



11. **Property retired**, as applied to utility plant, means property that has been removed, sold, abandoned, destroyed or which for any cause has been permanently withdrawn from service.
12. **Salvage value** means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material recoverable is chargeable to materials and supplies or other appropriate account.
13. **Service life** means the time between the date utility plant is includible in utility plant in service or utility plant leased to others and the date of its retirement. If depreciation is accounted for on a production basis rather than on a time basis, then life should be measured in terms of the appropriate unit of production.
14. **Service value** means the difference between the original cost and the net salvage value of utility plant.
15. **Straight-line method**, as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used) and credited to the accumulated depreciation account through equal annual charges during its service life. Estimates of the service life and salvage will be reexamined periodically and depreciation rates will be corrected to reflect any changes in these estimates.
16. **Straight-line remaining life method**, as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses (and to clearing accounts if used), and credited to the accumulated depreciation account through equal annual charges over the remaining service life. Estimates of the service life and salvage will be reexamined periodically and depreciation rates will be corrected to reflect any changes in these estimates.
16. **Supply main** means any main, pipe, aqueduct or canal the primary purpose of which is to convey water from one unit to another unit in the source of supply, water treatment or pumping plant and generally providing no service connection with customers.
18. **Transmission and distribution main** means any main the primary purpose of which is to convey water, requiring no further processing except incidental chlorination or pressure boosting, from a unit in the source of supply, water treatment or pumping plant and generally providing no service connection with customers.
19. **Utility**, as used herein and when not otherwise indicated in the context, means any public utility to which this system of accounts is applicable. A public utility is further defined by Kentucky Revised Statute 278.010 (3).

## **ACCOUNTING INSTRUCTIONS**

### **1. General – Classifications of Utilities**

- A. For the purpose of applying the system of accounts prescribed by the Commission, water utilities are divided into three classes, as follows:
  - Class A    Utilities having annual water operating revenues of \$750,000 or more.
  - Class B    Utilities having annual water operating revenues of \$250,000 or more but less than \$750,000
  - Class C    Utilities having annual water operating revenues of less than \$250,000 or less than 400 customers.
- B. This system of accounts applies to Class C water districts and associations.
- C. The class to which any utility belongs shall originally be determined by the average of its annual water operating revenues for the last three consecutive years. Subsequent changes in classification shall be made when the annual water operating revenues for each of the three immediately preceding years shall exceed the upper limit, or be less than the lower limit, of the annual water operating revenues of the classification previously applicable to the utility.

### **2. General – Records**

- A. Each utility shall keep its books of account, and all other books, records, and memoranda, which support the entries in such books of account so as to be able to furnish readily full information as to any item, included in any account. Each entry shall be supported by such detailed information as will permit a ready identification, analysis, and verification of all facts relevant thereto.
- B. The books and records referred to herein include not only accounting records in a limited technical sense, but all other records, such as minute books, stock books, reports, correspondence, memoranda, etc., which may be useful in developing the history of, or facts regarding, any transaction.
- C. Utilities complying with the KUSoA shall maintain records as per local practice and/or as sound accounting practice warrants.
- D. In addition to prescribed accounts, clearing accounts, temporary or experimental accounts, and subdivisions of any account, may be kept, provided the integrity of the prescribed accounts is not impaired.

- E. All amounts included in the accounts prescribed herein for utility plant and operating expenses shall be just and reasonable and any payments or accruals by the utility in excess of just and reasonable charges shall be included in Account 426 – Miscellaneous Nonutility Expenses.
- F. The arrangement or sequence of the accounts prescribed herein shall not be controlling as to the arrangement or sequence.

### 3. **General – Numbering System**

- A. The account numbering scheme used herein consists of a system of three-digit numbers as follows:
  - 100-199 Assets and Other Debits
  - 200-299 Equity, Liabilities and Other Credits
  - 300-349 Water Plant Accounts
  - 400-434 Income Accounts
  - 435-439 Retained Earnings Account
  - 460-489 Water Operating Revenue Accounts
  - 600-699 Water Operating and Maintenance Expenses
- B. In certain instances, numbers have been skipped in order to allow for possible later expansion or to permit better coordination with the numbering system for other utility departments.
- C. The numbers prefixed to account titles are solely for convenience of reference and are not a part of the titles. Each utility may adopt such scheme of account numbers as it deems appropriate; provided, however, that it shall keep readily available a list of the account numbers and subdivisions of accounts which it uses and a reconciliation of such numbers and subdivisions with the account numbers and titles provided herein. Further, the records must be kept to permit classification or summarization of each accounting period according to the prescribed accounts.

### 4. **General – Accounting Period**

Each utility shall keep its books on a monthly basis so that for each month all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. Amounts applicable or assignable to specific utility departments shall be so segregated monthly. Each utility shall close its books at the end of each calendar year unless otherwise authorized by the commission.

### 5. **General – Accounting Basis**

Each utility shall maintain its books using accrual accounting methods.

6. **General – Submittal of Questions**

To maintain uniformity of accounting, utilities not regulated by the Public Service Commission shall submit questions of doubtful interpretation to the utility's CPA for consideration and decision.

7. **General – “Item Lists”**

List of “items” appearing in the texts of the accounts or elsewhere herein are for the purpose of more clearly indicating the application of the prescribed accounting. The lists are intended to be representative but not exhaustive. The appearance of an item in a list warrants the inclusion of the item in the account mentioned only when the text of the account also indicates inclusion in as much as the same item frequently appears in more than one list. The proper entry in each instance must be determined by the texts of the accounts.

8. **General Unaudited Items**

If it is known that a transaction has occurred which affects the accounts but the amount involved in the transaction and its effects upon the accounts cannot be determined with absolute accuracy, then the amount shall be estimated and such estimated amount included in the proper accounts. A complete description of the transactions shall accompany the financial statement. Utilities are not required to anticipate minor items that would not appreciably affect the accounts.

9. **General – Allocation of Salaries and Expenses of Employees**

Charges to utility plant or to a salaries expense account shall be based upon the actual time engaged in either plant construction or providing operational services. In the event actual time spent in the various activities is not available or practicable, salaries should be allocated upon the basis of a study of the time engaged during a representative period. Charges should not be made to the accounts based upon estimates or in an arbitrary fashion.

10. **General – Payroll Distribution**

Underlying accounting data shall be maintained so that the distribution of the costs of labor charged to the various accounts will be available. The utility may utilize clearing accounts in its accounting process; however, the use of clearing accounts does not relieve the utility from the responsibility of providing a distribution of the costs of labor or from being able to substantiate its labor charged with sufficient source documents.

**11. Utility Plant – To Be Recorded At Cost**

All utility plants shall be recorded at original cost. (See definition 10)

**12. Utility Plant – Depreciation**

A. Depreciation charges shall be computed using the straight-line method (see definition 15). Composite depreciation rates (see definition 4) and/or the straight-line remaining life depreciation method (see definition 16) may be used only with prior approval of the Kentucky Infrastructure Authority.

B. When the straight-line method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the service life, the estimated net salvage, and the cost of plant in service using the following formula:

$$\text{Whole life rate} = \frac{100\% - \text{average net Salvage \%}}{\text{average service life in years}}$$

C. When the straight-line remaining life method is used, the rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the remaining life, the estimated net future salvage, cost of plant in service and to the balance of accumulated depreciation accrued in prior periods using the following formula:

$$\text{Remaining life rate} = \frac{100\% - \text{reserve \%} - \text{average future net salvage \%}}{\text{average remaining life in years}}$$

D. When an item of plant is retired, account 108- Accumulated Depreciation and Amortization of Utility Plant in Service, shall be charged and the appropriate plant accounts shall be credited with the entire recorded original cost of plant retired regardless of the amount of depreciation which has been accumulated for this particular item of plant, except as provided in paragraph C. Account 108- Accumulated Depreciation and Amortization of Utility Plant in Service, also shall be charged with the costs of removal of retired plant, and shall be credited with the salvage value, sales price or other amounts recovered from plant retired.

E. In rate instances the unexpected early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from that described in paragraph E above. In such instances the Kentucky Infrastructure Authority may authorize or order the loss on retirement (less any tax savings) to be charged to income in the current year or transferred

to account 186 – Miscellaneous Deferred Debits, and amortized in future periods.

- F. It is suggested that all utilities maintain a separate accumulated depreciation subaccount for each depreciable plant account.

### **13. Utility Plant – Capital Contributions**

Nonrefundable contributions of cash or plant facilities donated to the water utility to assist it in constructing, extending or relocating its water facilities shall be credited to account 432 – Proceeds from Contributions (see account 432 for description of items includible in this account).

### **14. Operating Income – Clearing Accounts**

The purpose of a clearing account is to temporarily accumulate in one account costs of a specific type which affect more than a single account, and which subsequently will be apportioned among utility plant accounts, operating expense accounts and other appropriate accounts.

The use of clearing accounts is optional. In addition to the payroll clearing account, a utility may use such additional clearing accounts as it finds useful. However, all operation expenses must be recorded in the accounts prescribed by this manual and the utility remains responsible for providing the underlying source documents as if all entries were made directly without the use of a clearing account.

## **BALANCE SHEET ACCOUNTS**

### **Assets and Other Debts**

- 101. Utility Plant in Service
- 103. Property Held for Future Use
- 104. Utility Plant Purchased or Sold
- 105. Construction Work in Progress
- 108. Accumulated Depreciation
- 114. Utility Plant Acquisition Adjustments
- 115. Accumulated Amortization of Utility Plant Acquisition Adjustments
- 121. Nonutility Property
- 122. Accumulated Depreciation and Amortization of Nonutility Property
- 124. Utility Investments
- 131. Cash
- 132. Special Deposits
- 141. Customer Accounts Receivable
- 143. Accumulated Provision for Uncollectible Accounts—Cr.
- 151. Plant Materials and Supplies
- 174. Miscellaneous Current Accrued Assets
- 186. Miscellaneous Deferred Debits

### **Equity Capital**

- 215. Unappropriated Retained Earnings
  - 215.1 Retained Earnings from Income Before Contributions
  - 215.2 Donated Capital

### **Liabilities and Other Credits**

- 224. Long-Term Debt
- 231. Accounts Payable
- 232. Notes Payable
- 235. Customer Deposits
- 236. Accrued Taxes
- 237. Accrued Interest
- 242. Miscellaneous Current and Accrued Liabilities
- 252. Advances for Construction
- 253. Other Deferred Credits
- 255. Accumulated Deferred Investment Tax Credits
- 265. Accumulated Miscellaneous Operating Provisions
- 266. Accumulated Provision for Rate Refunds

## **Assets and Other Debits**

### **101. Utility Plant in Service**

- A. This account is the control account for plant accounts 301 through 348.
- B. This account shall include the original cost of all utility plant, owned and used by the utility in providing water service.

### **103. Property Held for Future Use**

- A. This account shall include the original cost of property owned and held for future use in utility service under a definite plan for such use.
- B. The property included in this account shall be classified according to the detailed accounts prescribed for utility plant in service and the account. Shall be maintained in such detail as though the property were in service. Separate subaccounts shall be maintained hereunder for each utility department for which plant is held for future use.

Note:--Materials and supplies, and meters held in reserve, and normal spare capacity of plant in service shall not be included in this account.

### **104. Utility Plant Purchased or Sold**

- A. This account shall be debited with the cost of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and shall be credited with the selling price of like property transferred to others pending the distribution to appropriate accounts.
- B. Within six months from the date of acquisition or transfer of property recorded herein, the utility shall file with the Authority the proposed journal entries to clear from this account the amounts recorded herein.
- C. When an existing water system or operating unit is acquired the utility shall be obligated to obtain, from the party acquired from, all existing records, including records of plant construction dates and costs, and records of accumulated depreciation applicable to such properties.

### **105. Construction Work in Progress**

This account shall include the cost of utility plant in process of construction but not ready for service at the date of the balance sheet.



**108. Accumulated Depreciation and Amortization of Utility Plant in Service**

- A. This account shall reflect the depreciation and amortization accumulated on plant used in water utility service.
- B. This account shall be credited with.
  - 1. Amounts concurrently charged to account 403- Depreciation Expense, representing currently accruing depreciation of utility plant.
  - 2. Amounts concurrently charged to account 407- Amortization Expense – Other, representing currently accruing amortization of utility plant.
  - 3. Salvage value, sales price, insurance settlements and other amounts recovered from plant retired.
  - 4. Amounts representing the balance of accumulated depreciation and amortization of utility plant acquired from others.

Note:--Also see account 104 – Utility Plant Purchased or Sold

- C. This account shall be charged with:
  - 1. Original cost of depreciation utility plant retired.
  - 2. Cost of removal of plant retired.
- D. The utility is restricted in the use of this account to the purposes set forth above. It shall not transfer any portion to retained earnings or to other accounts.

Note:--See Accounting Instruction 12 for information on depreciation accruals and plant retirement procedures.

**114. Utility Plant Acquisition Adjustments**

- A. This account shall include the difference between (a) the cost to the accounting utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise and (b) the original cost, estimated, if not known, of such property, less the amount credited by the accounting utility at the time of acquisition to accumulated depreciation, accumulated amortization and capital contributions with respect to such property.
- B. No transfers shall be made from this account.

Note:--See also account 104 – Utility Plant Purchased or Sold

**115. Accumulated Amortization of Utility Plant Acquisition Adjustments**

This account shall be credited or debited with amounts which are includible in account 406 – Amortization of Utility Plant Acquisition Adjustments, or account 426 – Miscellaneous Nonutility Expenses, for the purpose of providing for the extinguishments of amounts in account 114 – Utility Plant Acquisition Adjustments.

**121. Nonutility Property**

A. This account shall include the book cost of land, structures, equipment or other tangible or intangible property owned by the utility, but not used in utility Service and not properly includible in account 103 – Property Held for Future Use.

B. The account shall be appropriately subdivided.

**Items**

1. Land and buildings not used in water operations.
2. Utility assets transferred to “nonoperative” status.
3. Investments in securities.
4. Assets of nonutility businesses owned by the utility.
5. Accounts receivable and notes receivable not due within one year.

**122. Accumulated Depreciation and Amortization of Nonutility**

A. This account shall include the accumulated depreciation and amortization applicable to property other than utility plant.

B. This account shall be credited with amounts currently charged to account 426 – Miscellaneous Nonutility Expenses, representing currently accruing depreciation and amortization on property not used in utility operations.

C. This account shall be charged with the amount of depreciation accumulated on items of nonutility property sold, abandoned, or otherwise retired.

**124. Utility Investments**

This account shall include the book cost of investments in securities issued or assumed by nonassociated companies for the purpose of insuring adequate water service (i.e., source of water supply)

**131. Cash**

This account shall include the amount of cash on hand or on deposit in banks.

**132. Special Deposits**

This account shall include special deposits with fiscal agents or others for the payment of interest and/or dividends.

**141. Customer Accounts Receivable**

This account shall include amounts due from customers for utility service.

Note:--Accounts receivable other than from customers for utility service shall be included in account 174 – Miscellaneous Current and Accrued Assets, or in account 121 – Nonutility Property, as appropriate.

**143. Accumulated Provision for Uncollectible Accounts—Cr**

This account shall be credited with amounts provided for loss on accounts receivable which may become uncollectible, and also with collections on accounts previously debited hereto. Concurrent debits shall be made to account 670 – Bad Debt Expense, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of accounts receivable for each utility department.

**151. Plant Materials and Supplies**

- A. This account shall include the cost of materials and supplies on hand, purchased for use in plant construction or repair work.
- B. The cost shall include, when practicable, transportation charges, sales and use taxes and other directly assignable costs. Cash discounts realized on material purchases shall be credited to this account.
- C. Reusable materials, which are retired from plant and returned to the materials and supplies inventory, shall be charged to this account and credited to account 108 – Accumulated Depreciation and Amortization of Utility Plant in Service. Identifiable units which have been removed from service (e.g. pumps, motors, etc.) shall be carried in inventory at original cost. Items of small value whose original cost cannot be readily determined shall be carried in inventory at current prices. Scrap materials shall be carried in inventory at estimated scrap value.

- D. Inventories of materials and supplies shall be taken at least annually and the necessary adjustments shall be made to bring this account into agreement with the actual quantities on hand.

**174. Miscellaneous Deferred debits**

This account shall include the book cost of all other current and accrued assets, appropriately designated and supported so as to show the nature of each asset included herein.

**186. Miscellaneous deferred debits**

This account shall include such items as expenses of security issues, bond discount, items in suspense, and costs to amortize over future periods (i.e., deferred portion of rate case expense).

This account shall be appropriately subdivided.

**215. Retained Earnings**

A. This account shall reflect earnings retained by the utility.

B. This account shall be credited with:

1. Net income.
2. Accounting adjustments associated with correction of errors attributable to a prior period, including change from cash to accrual accounting.

C. The account shall be charged with:

1. Net losses.
2. Accounting adjustments associated with correction of errors attributable to a prior period.

D. Adjustments caused by the correction of an estimate or a change in an accounting method shall not adjust the balance of this account but shall rather affect an income, asset, and liability or deferred credit account. For example, adjustments to accumulated depreciation shall not affect this account but rather shall affect an income account, account 186 – Miscellaneous Deferred Debits, or account 253 – Other Deferred Credits.

## **Liabilities and Other Credits**

### **224. Long-Term Debt Liabilities and Other Credits**

- A. This account shall include all notes, conditional sales contracts or other evidences of indebtedness payable more than one year from date of issue.
- B. A separate subaccount shall be maintained for each obligation outstanding.

### **231. Accounts Payable**

This account shall include all amounts payable by the utility within one year, which is not provided for in other accounts.

### **232. Notes Payable**

This account shall include the face value of all notes, drafts, acceptance or other similar evidences of indebtedness, payable on demand or within a time not exceeding one year from date of issue to other than associated companies.

### **235. Customer Deposits**

This account shall include all amounts deposited with the utility by customers as security for the payment of bills.

### **236. Accrued Taxes**

- A. This account shall include all taxes accrued or payable by the utility including property taxes, payroll taxes, and withholding taxes.
- B. This account shall be credited during each accounting period with the amount of taxes accrued during the period. Such credits may be based upon estimates, but from time to time during the year, the amount of the periodic credits shall be adjusted so as to reflect the correct tax liability. Any amount representing a prepayment of taxes applicable to the period subsequent to the date of the balance sheet, shall be shown under account 174 – Miscellaneous Current and Accrued Assets.

### **237. Accrued Interest**

This account shall include the amount of interest accrued but not matured on all liabilities of the utility not including, however, interest which is added to the principal of the debt on which incurred. Supporting records shall be maintained so as to show the amount of interest accrued on each obligation.

**242. Miscellaneous Current and Accrued Liability**

This account shall include the amount of all other current and accrued liabilities not provided for elsewhere appropriately designed and supported so as to show the nature of each liability.

**252. Advances for Construction**

This account shall include advances by or in behalf of customers for construction, which are to be refunded either wholly or in part. When a person is refunded the entire amount to which he is entitled according to the agreement or rule under which the advance was made, the balance, if any, remaining in this account shall be credited to account 432 – Proceeds from Capital Contributions.

**253. Other Deferred Credits**

This account shall include, gains on disposition of property, advance billings and receipts and other deferred credit items, not provided elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

**265. Accumulated Miscellaneous Operating Provisions**

- A. This account shall include all operating reserves maintained by the utility.
- B. This account shall be maintained in such manner as to show the amount of each separate reserve and the nature and amounts of the debits and credits thereto.

**266. Accumulated Provision for Rate Refunds**

- A. This account shall be credited with amounts debited to account 475 – Provisions for Rate Refunds to provide for estimated refunds where the utility is collecting amounts in rates subject to refund.
- B. When a regulatory authority orders a refund of any amount recorded in this account, such amount shall be debited hereto and credited to account 242 – Miscellaneous Current and Accrued Liabilities.
- C. Records supporting the entries to this account shall be kept so as to identify each amount recorded by the respective rate filing docket number.

## **WATER UTILITY PLANT ACCOUNTS**

### **Amortizable**

- 301. Organization
- 302. Franchises

### **Nondepreciable**

- 303. Land and Land Rights

### **Depreciable**

- 304. Structures and Improvements
- 305. Collecting and Impounding Reservoirs
- 306. Lake, River and Other Intakes
- 307. Wells and Springs
- 309. Supply Mains
- 310. Power Generation Equipment
- 311. Pumping Equipment
- 320. Water Treatment Equipment
- 330. Distribution Reservoirs and Standpipes
- 331. Transmission and Distribution Mains
- 333. Services
- 334. Meters and Meter Installations
- 335. Hydrants
- 339. Other Plant and Miscellaneous Equipment
- 340. Office Furniture and Equipment
- 341. Transportation Equipment
- 343. Tools, Shop and Garage Equipment
- 345. Power Operated Equipment
- 348. Other Tangible Plant

## **WATER UTILITY PLANT ACCOUNTS**

### **301. Organization**

This account shall include all fees paid to federal or state governments for the privilege of incorporation and expenditures incident to organizing the corporation, partnership or other enterprise and putting it into readiness to do business. A sample of items to be included in this account is listed below.

1. Actual cost of obtaining certificates authorizing an enterprise to engage in the public utility business.
2. Fees and expenses for mergers or consolidations.
3. Office expenses incident to organizing the utility.
4. Stock and minute books and corporate seal.

### **302. Franchises**

- A. This account shall include amounts paid to the federal government, to a state or to a political subdivision thereof in consideration for franchises, consents or certificates, running in perpetuity or for a specified term of more than one year, together with necessary and reasonable expenses incident to procuring such franchises, consents or certificates of permission and approval.
- B. This account shall not include any expenses incurred in connection with the authorization or sale of securities, or discounts on securities issued.
- C. This account shall not include any sum for franchises or certificates in excess of the amounts actually paid to the state or political subdivision, and necessary and reasonable expenses incident to obtaining such franchises or certificates.
- D. When any franchises has expired, the book cost thereof shall be credited hereto and debited to account 426 – Miscellaneous Nonutility Expense, or to account 108 – Accumulated Depreciation and Amortization of Utility Plant in Service, as Appropriate.

### **303. Land and Land Rights**

This account shall include the cost of land rights of way and easement used in water operations.



**304. Structures and Improvements**

This account shall include cost in place of structures and improvements used in connection with source of supply, pumping, water treatment, transmission and distribution and general plant. A sample of items to be included in this account are listed below:

1. Yard paving and fencing.
2. Pump houses and storage sheds.
3. Grading and clearing.
4. Meter testing shops.
5. Landscaping, sidewalks.
6. Roadways (paved, concrete, etc.).
7. Buildings.
8. Plant metering.

**305. Collecting and Improving Reservoirs**

This account shall include the cost in place of structures and improvements used for impounding, collecting and storing water in the source of supply system. A sample of items to be included in this account are listed below:

1. Aerators (when installed as an integral part of collecting and impounding reservoirs).
2. Bridges and culverts.
3. Clearing land.
4. Dams.
5. Drainage conduits.
6. Embankments
7. Fish ladders and elevators.
8. Fences.
9. Gatehouses and equipment.
10. Landscaping.
11. Retaining walls.
12. Roads and paths.
13. Sewers.
14. Spillways and channels.
15. Any other permanent improvement to collecting and impounding reservoirs.

**306. Lake, River and Other Intakes**

This account shall include the cost installed of lake, river and other intakes used as a source of water supply. A sample of items to be included in this account are listed below:

1. Clearing land.
2. Conduits.
3. Cribs.
4. Fences.
5. Gatehouses and equipment.
6. Intake pipes (up to suction header).
7. Intake wells.
8. Lighting systems.
9. Screens and racks.

**307. Wells and Springs**

This account shall include the cost installed of wells and springs used as a source of water supply. A sample of items to be included in this account are listed below:

1. Clearing land.
2. Collecting basins.
3. Collecting pipes.
4. Fences.
5. Landscaping.
6. Lighting systems.
7. Overflow spillways and channels.
8. Sewers.
9. Springs and appurtenances.
10. Wells, casings and appurtenances, including cost of test wells and nonproductive wells drilled as part of a project resulting in a source of water within the same supply area.

**309. Supply Mains**

This account shall include the cost installed of supply mains, pipes, aqueducts and canals and their appurtenances. A sample of items to be included in this account are listed below:

1. Air chambers.
2. Blow-offs and overflows.
3. Bridges and culverts.
4. Canals.
5. Electrolysis control equipment.

5. Manholes.
6. Municipal inspection or permits.
7. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
8. Pipes, aqueducts or conduits.
9. Placing mains and accessories.
10. Special castings.
11. Sterilizing new mains.
12. Surge tanks.
13. Trenching, including shoring, bracing, bridging, pumping, backfill and disposal of excess excavated material.
14. Tunnels.
15. Valves, valve vaults and appurtenances.

**310. Power Generation Equipment**

This account shall include the cost installed of any equipment used for the production of power principally used in pumping operations.

**311. Pumping Equipment**

This account shall include the cost of pumping equipment driven by electric power, diesel engines, steam engines and hydraulic water and turbines. A sample of items to be included in this account are listed below:

1. Engines, motors, water wheels and turbines for driving pumps.
2. Pumps, including setting, gearing, shafting and belting.
3. Water piping within station, including valves.
4. Auxiliary equipment for engines and pumps such as oiling systems, cooling systems, condensers, etc.
5. Oil supply lines and accessories.
6. Regulating, recording and measuring devices.
7. Foundations, frames and bedplates.
8. Ladders, stairs and platforms if apart of pumping unit.

**320. Distribution Reservoirs and Standpipes**

- A. This account shall include the cost of reservoirs, tanks, standpipes, and appurtenances used in storing water for distribution.
- B. The account shall be segregated so as to show separately the cost of each major facility or installation.

**331. Transmission and Distribution Mains**

This account shall include the cost installed of transmission and distribution mains including valves, fittings, shut-offs, etc., between the water source and customer's service. This account shall also include the cost installed of fire mains.

**333. Services**

This account shall include the cost installed of service pipes and accessories leading to the customer's premises.

**334. Meters and Meter Installations**

- A. This account shall include the cost of meters, devices and appurtenances attached thereto, used for measuring the quantity of water delivered to users, whether actually in service or held in reserve. It shall also include the cost of labor employed, materials used and expenses incurred in connection with the original installation of a customer's meters and devices and appurtenances attached thereto.
- B. When a meter and/or meter installation is permanently retired from service, the amount at which it is included herein shall be credited to this account.
- C. The records covering meters shall be so kept that the utility can furnish information as to the number of meters of each type and size in service and in reserve as well as the location of each meter included in this account.
- D. A sample of items to be included in this account are listed below:
  - 1. Meters, including badging and initial testing.
  - 2. Remote meter registers.
  - 3. Installation labor (first installation only).
  - 4. Meter coupling.
  - 5. Meter bars.
  - 6. Meter yokes.
  - 7. Meter fittings, a connection shelves.
  - 8. Meter vaults or boxes.
  - 9. Stops.

Note:--The cost of "master meters" used to measure the quantity of water produced or delivered into the system shall be entered in account 309 – Supply Mains.

**335. Hydrant**

This account shall include the cost installed of hydrants in service owned by the utility. A sample of items to be included in this account are listed below:

1. Connections to main.
2. Excavation, backfill, and disposal of excess excavated material.
3. Hydrants and fittings, including barrel and shoe.
4. Manholes.
5. Pavement disturbed, including cutting and replacing pavement, pavement base and sidewalks.
6. Pipe including leads and drains.
7. Tee at main.
8. Valves and valve boxes.

**339. Other Plant and Miscellaneous Equipment**

This account shall include the cost installed of all other intangible, source of supply and pumping, water treatment and transmission and distribution plant not provided for in the foregoing accounts.

**340. Office Furniture and Equipment**

This account shall include the cost of office furniture and equipment owned and used by the utility. A sample of items to be included in this account are listed below:

1. Bookcases and shelves.
2. Desks, chairs, and desk equipment.
3. Drafting room equipment.
4. Electronic data processing equipment.
5. Filing, storage and other cabinets.
6. Floor covering.
7. Library, and library equipment.
8. Mechanical office equipment such as accounting machines, typewriters, etc.
9. Safes.
10. Tables.

**341. Transportation Equipment**

This account shall include the cost of trucks, automobiles and trailers owned and used by the utility.

**343. Tools, Shop and Garage Equipment**

This account shall include the cost of tools, implements, and equipment used in construction, repair work, general shops and garages and not specifically provided for or includible in other accounts.

**345. Power Operated Equipment**

This account shall include the cost of power-operated equipment used in construction or repair work exclusive of equipment includible in other accounts. Include, also, the tools and accessories acquired for use with such equipment and the vehicle on which such equipment is mounted. A sample of items to be included in this account are listed below:

1. Air compressors, including driving unit and vehicle.
2. Back filling machines.
3. Boring machines.
4. Bulldozers.
5. Cranes and joists.
6. Diggers
7. Engines.
8. Pile drivers.
9. Pipe cleaning machines.
10. Pipe coating or wrapping machines.
11. Tractors – Crawler type.
12. Trenchers.
13. Other power operated equipment.

Note:--It is intended that this account include only such large units as are generally self-propelled or mounted on moveable equipment.

**348. Other Tangible Plant**

This account shall include the cost of tangible utility plant not provided for elsewhere.

## **INCOME ACCOUNTS**

### **Utility Operating Income**

- 400. Operating Revenues
- 401. Operating Expenses
- 403. Depreciation Expense
- 406. Amortization of Utility Plant Acquisition Adjustment
- 407. Amortization Expense
- 408. Taxes Other Than Income

### **Other Income and Deductions**

- 419. Interest and Divided Income
- 420. Allowance for Funds Used During Construction
- 421. Nonutility Income
- 426. Miscellaneous Nonutility Expenses
- 427. Interest Expense

### **Proceeds from Contributions**

- 432. Proceeds from Contributions

### **Utility Operating Income**

#### **400. Operating Revenues**

This is the revenue control account which totals the accounts recorded in water revenue accounts 460 through 474.

#### **401. Operating Expenses**

This is the operating expense control account which totals the amounts recorded in operating expense accounts 601 through 675 for water systems.

#### **403. Depreciation Expense**

- A. This account shall be debited with depreciation credited to account 108 – Accumulated Depreciation. Depreciation shall be accrued on a straight-line remaining life basis or straight-line basis. A single composite depreciation rate may be used only upon approval of the Authority.

Note:--See Accounting Instruction 12, for more detailed instructions on depreciation accounting.

- B. Depreciation for property not used in water operations is debited to account 426 – Miscellaneous Nonutility Expenses, and is credited to account 122 – Accumulated Depreciation and Amortization of Nonutility Property.

**406. Amortization of Utility Plant Acquisition Adjustments**

This account shall be debited or credited for the purpose of providing for the extinguishments of the amount in account 114 – Utility Plant Acquisition Adjustments.

**407. Amortization Expense**

This account shall include amortization debits or credits, which relate to utility operations and are not provided for elsewhere.

**408. Taxes Other Than Income**

- A. These accounts shall include the amount of ad valorem, gross revenue or gross receipts taxes, regulatory agency general assessments for purposes of utility regulation, state unemployment insurance, franchise taxes, federal excise taxes, social security taxes, and all other taxes assessed by federal, state, county, municipal, or other local governmental authorities, except income taxes.
- B. These accounts shall be debited in each accounting period with the amounts of taxes that are applicable thereto, with concurrent credits to account 236 – Accrued Taxes, or account 162 – Prepayments, as appropriate. When it is not possible to determine the exact amounts of taxes, the amounts shall be estimated and adjustments made in current accruals as the actual tax levies become known.
- C. The debits to these accounts shall be made or supported so as to show the amount of each tax and the basis upon which each charge is made. In the case of a utility rendering more than one utility service, taxes of the kind includible in these accounts shall be assigned directly to the utility department the operation of which gave rise to the tax insofar as practicable. Where the tax is not attributable to a specific utility department, it shall be distributed among the utility departments or nonutility operations on an equitable basis after appropriate study to determine such basis.

Note A:--Special Assessments for street and similar improvements shall be included in the appropriate utility plant or nonutility property account.

Note B:--Taxes Specifically applicable to construction shall be included in the cost of construction.



Note C:--Gasoline and other sales taxes shall be debited as far as practicable to the same account as the materials on which the tax is levied.

Note D:--Social security and other forms of payroll taxes shall be distributed to utility departments and to nonutility functions on a basis related to payroll. Amounts applicable to construction shall be debited to the appropriate plant account.

Note E:--Interest on tax refunds or deficiencies shall not be included in these accounts but in account 419 – Interest and Dividend Income, or 427.5 - Interest – Other, as appropriate.

## **Other Income and Deductions**

### **419. Interest and Dividend Income**

This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds and all other interest bearing assets and dividends on stock of other companies, whether the securities are carried as investments or included in sinking or other special funds accounts.

### **420. Allowance for Funds Used During Construction**

This account shall include concurrent credits for allowance for funds used during construction based upon the net cost of funds used for construction purposes and a reasonable rate upon other refunds when so used.

### **421. Nonutility Income**

In this account is entered all income not includible in operating revenue accounts 460 through 474 or in account 419 – Interest and Dividend Income. Items in this account shall include:

1. Gross income from nonutility operations,
2. Net gain on sale of nonutility property; and
3. Revenues from merchandising, jobbing and contract work.

### **426. Miscellaneous Nonutility Expenses**

This account shall contain all expenses other than expenses of utility operations and interest expense. Items that are included in this account are:

1. Expenses disallowed in a proceeding before the Commission.
2. Amortization of an acquisition adjustment not approved by the Commission.
3. Depreciation associated with plant not used and useful in the public service.
4. Depreciation of nonutility plant.
5. Imprudent expenses.
6. Donations for charitable, social or community welfare purposes.

7. Life insurance on officers and employees where utility is beneficiary (net premiums less increase in cash surrender value of policies).
8. Penalties or fines for violations of statutes pertaining to regulation.
9. Expenditures for the purpose of:
  - a. Influencing public opinion with respect to the election or appointment of public officials, or the adoption, repeal, revocation or modification of referenda, legislation or ordinances.
  - b. Influencing public opinion with respect to obtaining approval, modification or revocation of franchises.
  - c. Influencing the decisions of public officials not including such expenditures, which are directly related to appearances before regulatory or other governmental bodies in connection with the utility's existing or proposed operations.
10. Loss relating to investments in securities written-off or written-down.
11. Loss on sale of investments.
12. Loss on reacquisition, resale or retirement of utility's debt securities.
13. Preliminary survey and investigation expenses related to abandoned projects, when not written off to the appropriate operating expense account.
14. Golf club dues, social club dues and service club dues (Kiwanis, Rotary, etc.) house charges and items of a similar nature whether such expenditures are made directly by the utility or indirectly by payment or reimbursement to associated companies, officers, or other employees, or by any other direct or indirect means.
15. Costs and expenses of merchandising, jobbing and contract work.

**427. Interest Expense**

To this account shall be charged all interest expense of the utility. The contra credit to entries in this account shall be charged to account 237 - Accrued Interest.

**Proceeds from Capital Contributions**

**432. Proceeds from Capital Contributions**

A. This account shall include:

1. Any amount or item of money, services or property received by a Utility from any person or government agency, which is provided at no cost to the utility which represents an addition or transfer to the capital of the utility and which is utilized to offset the acquisition, improvement or construction costs of the utility's property, facilities, or equipment used to provide utility services to the public.

2. Amounts transferred to from account 252 – Advances for construction, representing unrefunded balances of expired contracts or discounts resulting from termination of contracts.
  3. Compensation received from governmental agencies and others for relocation of water mains or other plants.
- B. The balance in this account shall be transferred annually at the close of the year to account 215.2 – Donated Capital.
- C. The records supporting the entries to this account shall be so kept that the utility can furnish information as to the purpose of each donation, the conditions, if any, upon which it was made, the amount of donations from: a)states, (b) municipalities, (c) customers, and (d) others, and the amount applicable to each utility department.

Note: There shall not be included in this account advances for construction which are ultimately to be repaid wholly or in part (see account 252 – Advances for Construction).

## **WATER OPERATING REVENUE ACCOUNTS**

### **Water Sales**

- 460. Unmetered Water Revenue
- 461. Meter Water Revenue
  - 461.1 Metered Sales to Residential Customers
  - 461.2 Metered Sales to Commercial Customers
  - 461.3 Metered Sales to Industrial Customers
  - 461.4 Metered Sales to Public Authorities
  - 461.5 Metered Sales to Multiple Family Dwellings
  - 461.6 Metered Sales to Through Bulk Loading Stations
- 462. Fire Protection Revenue
- 465. Sales to Irrigation Customers
- 466. Sales for Resale

### **Other Water Revenues**

- 474. Other Water Revenues
- 475. Provision for Rate Refunds

### **Water Sales**

#### **460. Unmetered Water Revenue**

- A. This account shall include the net billing for water supplied for residential, commercial and industrial (except irrigation) purposes where the charge is not dependent in any way on the quantity of water delivered but is based on diameter of service pipe, room, foot of frontage or other similar unit.
- B. Records shall be maintained so that the estimated quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

#### **461. Metered Water Revenue**

- A. This account shall include the net billing for measured water supplied for residential, commercial or industrial (except irrigation) purposes where the total charge is, or may be, in any way dependent on the quantity of water delivered.
- B. Records shall be maintained so that the quantity of water sold and the amount of revenue under each rate schedule shall be readily available.

C. This account shall be subdivided at least as follows:

- 461.1.1 Metered Sales to Residential Customers
- 461.1.2 Metered Sales to Commercial Customers
- 461.1.3 Metered Sales to Industrial Customers
- 461.1.4 Metered Sales to Public Authorities
- 461.1.5 Metered Sales to Multiple Family Dwellings
- 461.1.6 Metered Sales to Through Bulk Loading Stations

Note: The account includes all revenues under service classifications that consist of a rate for a specified diameter of service pipe, or per meter, fixture, room, foot of frontage, or other similar unit, plus an additional charge or an adjustment dependent upon the quantity of water delivered.

462. Fire Protection Revenue

Include herein all revenue from public agencies and others for hydrant charges, private fire protection service, street sprinkling, sewer flushing and similar sources.

465. Sales to Irrigation Customers

- A. This account shall include the net billing for water supplied for commercial irrigation purposes, under distinct irrigation rates, billed under either metered or flat rate tariff schedules.
- B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each rate schedule shall be readily available.

466. Sales for Resale

- A. This account shall include the net billing for water supplied (including stand-by service) to other water utilities or to public authorities for resale purposes.
- B. Records shall be maintained so that the quantity (estimated if not metered) of water sold and the amount of revenue under each rate schedule shall be readily available.

Note:--Where the contract is reciprocal, i.e., where either party thereto may take water from the other, the total amount receivable for water supplied to the other party shall be charged to account 610 – Purchased Water.

## **Other Water Revenues**

### **474. Other Water Revenues**

This account shall include revenues derived from water operations not includible in any of the preceding accounts.

### **475. Provision for Rate Refunds**

- A. This account shall be debited with provisions for the estimated effects on net income of the portions of amounts being collected subject to refund, which is estimated to be required to be refunded. Such provisions shall be credited to account 266 – Accumulated Provision for Rate Refunds.
- B. This account shall also be debited with amounts refunded when such amounts had not been previously accrued.

## **WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS**

- 601. Salaries and Wages – Employees
- 603. Salaries and Wages – Officers and Directors
- 604. Employee Pensions and Benefits
- 610. Purchased Water
- 615. Purchased Power
- 616. Fuel for Power Production
- 618. Chemicals
- 620. Materials and Supplies
- 630. Contractual Services
- 640. Rents
- 650. Transportation Expenses
- 655. Insurance Expense
- 665. Regulatory Commission Expenses
- 670. Bad Debt Expense
- 675. Miscellaneous Expenses

## **WATER OPERATION AND MAINTENANCE EXPENSE ACCOUNTS**

- 601. Salaries and Wages – Employees

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to employees of the utility company for work related to the operation and maintenance of that utility. This account shall not include the salaries and wages of officers, directors or majority stockholders of the utility company.

- 603. Salaries and Wages – Officers and Directors

This account shall include the compensation (salaries, bonuses and other consideration for services) paid or accrued to officers and directors.

- 604. Employee Pensions and Benefits

This account shall include all accruals under employee pension plans to which the utility has irrevocably committed such funds, and payments for employee accident, sickness, hospital and death benefits or insurance therefore. Include also expenses for medical, educational or recreational activities of employees.

- 610. Purchased Water

A. This account shall include the cost at the point of delivery of water purchased for resale.

- B. The records supporting this account shall be so kept as to show for each supplier from which water is purchased, point of delivery, quantity purchased, basis of charges, and the cost of water purchased.

615. Purchased Power

This account shall include the cost of all electric power expense incurred by the utility.

616. Fuel for Power Production

- A. This account shall include the cost of fuel used in the production of power to operate the pumps. Records shall be maintained to show the quantity and cost of each type of fuel used.
- B. The cost of fuel shall be debited initially to appropriate fuel accounts under 151 – Plant Materials and Supplies, and cleared to this account on the basis of the fuel used.

618. Chemicals

This account shall include the cost of all chemicals used in the treatment of water. Include the cost (except salaries and wages includible in accounts 600 and 603) of any chemicals manufactured by the utility and used to provide water services to its customers.

620. Materials and Supplies

This account shall include all materials and supplies used in operation and maintenance of the water system, other than materials and supplies charged to Contractual Services Account.

630. Contractual Services

- A. This account shall include the cost of operation and maintenance work not performed by utility employees. This account shall include the cost of accounting, legal management, engineering and data processing if such work is not performed by employees of the utility.
- B. This account shall include materials and supplies that are part of a contract price, if the cost of such materials and supplies is not separately stated.



640. Rents

This account shall include those costs associated with the rental of buildings, real property and equipment, except for the rental of automobiles and trucks, which shall be included in account 650 – Transportation Expenses.

650. Transportation Expenses

This account shall include all truck, automobile, construction equipment, and other vehicle expense chargeable to utility operations, except depreciation and insurance.

655. Insurance Expense

This account shall include all insurance costs applicable to the accounting period, including workman's compensation, liability, vehicle, fire and theft or robbery insurance.

Note A:--Insurance dividends and refunds shall be credited to this account.

Note B:--The cost of policies extending over a period of more than one year shall be prorated over the period of coverage. Prepaid insurance shall be charged to account 174 – Miscellaneous Current and Accrued Assets.

665. **Regulatory Commission Expenses**

This account shall include all expenses (except salaries of regular utility employees) incurred by the utility in connection with formal cases before regulatory commissions. This account shall not include payment of taxes, which shall be reported in the taxes other than income account.

670. Bad Debt Expense

This account shall be debited with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 143.

675. Miscellaneous Expenses

This account shall include all expenses not includible in other operating expense accounts:

**Items**

1. Industry association dues for company membership.
2. Contributions for conventions and meetings of the industry.
3. Communication service not chargeable to other accounts.
4. Trustee, registrar, and transfer agent fees and expenses.

5. Stockholders meeting expenses.
6. Dividend and other financial notices.
7. Printing and mailing dividend checks.
8. Director's fees and expenses.
9. Publishing and distributing annual reports to stockholders.
10. Public notices of financial, operating and other data required in connection with security issues or acquisitions of property.
11. Write-off of expenditures for preliminary surveys, plans, investigations, etc., included in account 183 – Preliminary Survey and Investigation charges, relative to projects which have been abandoned.

# ACCOUNT INDEX

# **SECTION III**

## **MONTHLY MANAGEMENT REPORT**

